

## Message Text

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44

ACTION EA-10

INFO OCT-01 ISO-00 EB-04 AGR-05 CIAE-00 COME-00 INR-05

LAB-01 RSC-01 SP-02 STR-01 TRSE-00 SWF-01 CIEP-01

FRB-01 OMB-01 NSA-01 L-02 /037 W

----- 092962

R 131227Z NOV 74

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 8334

INFO AMEMBASSY MANILA

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

AMCONSUL HONG KONG

CONFIDENTIAL BANGKOK 17943

E.O. 11652: GDS

TAGS: ETRD, EAGR, TH

SUBJECT: OVERDUE COTTON CONTRACTS

REF: A. STATE 241119

B. STATE 234898

1. THAILAND'S NEW HEAVILY DEBT-RIDDEN TEXTILE INDUSTRY IS FACED WITH SERIOUS PROBLEMS CAUSED BY THE WORLDWIDE DEPRESSION IN THE TEXTILE INDUSTRY. IN THIS RECESSION, WITH COTTON PRICES PLUMMETING, IT IS NOT SURPRISING THAT SOME COMPANIES ARE TRYING TO RENEGE ON CONTRACTS CONSUMMATED AT HIGHER LEVELS. THE RTG IN EARLY OCTOBER ESTIMATED THAT THAI MILLS WERE HOLDING ABOUT \$75 MILLION IN STOCKS OF FINISHED TEXTILES AND YARNS AND 8 TO 12 MONTHS OF RAW COTTON INVENTORIES. THE INVENTORIES ARE FINANCED WITH BANK CREDIT, AND BANKS ARE LIMITED BY LAW AS TO THE AMOUNT OF CREDIT THEY CAN EXTEND TO ANY ONE CUSTOMER. THE COMPANIES ARE ALLEGEDLY UNABLE TO OBTAIN ADDITIONAL CREDIT TO OPEN LETTERS OF CREDIT (LOCS). PRODUCTION HAS BEEN CIRTAILED 25 PERCENT BY RTG ORDER AND MANY FIRMS ARE CANCELLING MACHINERY ORDERS. THE BANK OF THAILAND HAS

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AGREED TO REDISCOUNT UP TO 50 PERCENT OF THE VALUE OF NOTES

HELD BY THE TEXTILE MILLS, UP TO \$40 MILLION, BUT THE LOANS HAVE NOT YET BEEN APPROVED BY THE RTG. WHEN REFINANCING ARRANGEMENTS ARE APPROVED, THERE SHOULD BE HOPEFULLY AN INCREASE IN THE NUMBER OF LOCS OPENED FOR IMPORT OF US COTTON.

2. QUESTION OF DEFAULTS AND POTENTIAL DEFAULTS ON COTTON CONTRACTS DISCUSSED IN DETAIL WITH HIGH LEVEL RTG MINISTRY OF COMMERCE OFFICIALS. THEY AGREED TO CALL IN THREE KNOWN DELINQUENT COMPANIES, SOMBOON, K. COTTON AND GAUZE, AND THAI INDUSTRIES, TO URGE THEM HONOR CONTRACTS. WOULD BE HELPFUL TO KNOW IF ANY OTHER THAI COMPANIES ARE CURRENTLY DELIQUENT.

3. THAI OFFICIALS APPRECIATE SERIOUS CONSEQUENCES CONTRACT DEFAULTS ON FUTURE YEAR NEGOTIATIONS WITH AMERICAN SHIP-PERS AND ASSURED EMBASSY EVERY EFFORT WOULD BE MADE INDUCE THAI COMPANIES HONOR THEIR COMMITMENTS.

4. RESULTS RTG INTERCESSIONS WILL BE REPORTED SOONEST.

5. I RAISED THIS MATTER WITH FOREIGN MINISTER THIS MORNING (NOV 13) EMPHASIZING IMPORTANCE MAINTAINING SANCTITY OF CONTRACTS FOR FUTURE REPUTATION THAI MILLS AND TO ASSURE CONTINUATION DEPENDABLE SUPPLY SOURCES FUTURE YEARS. ALSO URGED RTG CONSIDER LIBERALIZING CREDIT FOR IMPORTS IN CASES WHERE IT IS REQUIRED. FOREIGN MINISTER PROMISED TO DISCUSS THIS MATTER WITH MINCOMMERCE FOREIGN AND OTHERS AND WOULD LET ME KNOW WHAT MIGHT BE DONE.

KINTNER

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COTTON, TEXTILES, SERVICE CONTRACTS, DEBTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 NOV 1974  
**Decapton Date:** 01 JAN 1960  
**Decapton Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** cunninfx  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Secure:** OPEN  
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**Subject:** OVERDUE COTTON CONTRACTS  
**TAGS:** ETRD, EAGR, TH  
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